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# Dover Industries Limited

ANNUAL REPORT 1980



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# Dover Industries Limited

## Directors

**Mrs. Kenneth L. Campbell**

Toronto — President  
Dover Industries Limited

**Hon. John M. Godfrey, Q.C.**

Toronto — Senator

**William O. Morrow**

Halifax — President  
National Sea Products Limited

**John R. McPhee**

Hamilton - Vice-President Finance  
and Secretary-Treasurer  
Dover Industries Limited

**William H. Pinchin**

Midland — Director  
Dover Mills Limited

**Gordon R. Sharwood**

Toronto — President  
Sharwood and Company

**Thomas G. Shea**

Mississauga — Vice-President  
Dover Industries Limited

**Donald Smith**

Cambridge — Vice-President  
Dover Industries Limited

**John M. Vallance**

Hamilton — Purchasing agent  
Vallance Brown and Company Limited

**Douglas H. Ward**

Toronto — Honorary Chairman  
Dominion Securities Limited

**C. Lyle Weckman**

Halifax — Vice-President  
Dover Industries Limited

**Douglas H. Wigle**

Burlington — Executive Vice-President  
Dover Industries Limited

## Executive Officers

**Mrs. Kenneth L. Campbell**

President

**Douglas H. Wigle**

Executive Vice-President

**David G. Green**

Vice-President and General Manager  
Robinson Cone Division

**Frank Manning**

General Manager  
Howell Packaging Division

**John R. McPhee**

Vice-President Finance  
and Secretary-Treasurer

**Thomas G. Shea**

Vice President  
Corporate Development

**Donald Smith**

Vice-President and General Manager  
Ontario Flour and Grain Divisions

**C. Lyle Weckman**

Vice-President and General Manager  
Dover Mills, Halifax

**Ted T. Molnar**

Assistant Secretary

**Frank P. Szenasi**

Assistant Treasurer

## Operating Divisions

**Dover Flour Mills**

Chatham and Cambridge, Ontario

**Howell Packaging**

Burlington, Ontario

**Robinson Cone**

Hamilton, Ontario

**Taylor Grain**

Chatham, Ontario  
Grain Elevators at  
Louisville, Ontario  
Thamesville, Ontario  
Tupperville, Ontario

## Operating Company

**Dover Mills Limited**

Halifax, Nova Scotia

## Transfer Agent

**Canada Permanent Trust Company**

Toronto, Ontario

## Head Office

**Dover Industries Limited**

145 MacNab Street North  
Hamilton, Ontario



# Dover Industries Limited

## REPORT OF DIRECTORS

Your Directors are pleased to submit the 40th Annual Report of Dover Industries Limited including the Consolidated Statements for the year ended December 31, 1980 and five year Financial Summary.

Your Company enjoyed continued growth with record sales and earnings. Sales were \$58,763,693. which was an increase of 24% over 1979 when sales were \$47,165,156.

Net Earnings for 1980 increased to \$2,007,706. from \$1,773,284. which after payment of dividends on preferred shares were equal to \$2.27 per common share, an increase of \$0.27 from \$2.00 in 1979.

We would draw your attention to Note 6 of the Notes to Consolidated Financial Statements whereby two outstanding claims were settled in favour of the Corporation, causing restatement of earnings for the years 1976 to 1979.

During the past fiscal year your Company paid quarterly dividends of \$0.175 for a total of \$0.70 per common share. Dividends of \$0.15 per quarter on preferred shares were also paid for a total of \$0.60 per share.

Working Capital increased to \$6,621,267. in 1980 from the previous year of \$5,558,516. and is considered adequate for planned capital requirements in the immediate future.

Capital Expenditures in 1980 amounted to \$1,126,593., the major portion of which were for land purchased in Burlington, the addition of a new dryer at the Thamesville elevator and improvements to our grain handling facilities in Tupperville.

Inventories were higher at \$8,845,144. compared to \$7,673,722. in 1979. This increase in inventories is due to a higher volume of sales and inflation.

## REVIEW OF OPERATIONS

### Robinson Cone

Improved sales in plastics and packaging items contributed to Robinson attaining new record sales, however, cost increases in raw materials of petroleum based products affected overall profitability. Planned expansion for this group is expected in 1981.

### Howell Packaging

Sales and Earnings were substantially ahead of 1979, due mainly to a better product mix and improved efficiencies of operations. The Folding Carton industry remains very competitive because of over capacity, and as a result any major capital programs will continue to be deferred in favour of developing manufacturing efficiencies.

### Taylor Grain

The planned improvements at Thamesville and Tupperville took place in 1980, however, their contribution to profitability will not be maximized until the 1981 crop year.

### Dover Flour Mills (Ontario Division)

1980 was the first full year since the Cambridge Flour Mill modernization and reflected substantially improved



volume and earnings which will continue into 1981. During the year Dover Flour Consumer Packages were made available to a wider range of Ontario Retail outlets. This is the first new brand of flour to appear on the grocers shelves in thirty years.

We are pleased with this demand for Dover Flour whose quality has been recognized in the Atlantic Provinces for many years. The Chatham Mill had a good year and continues to be heavily reliant on export sales.

### **Subsidiary Company**

#### **Dover Mills Limited — Halifax**

Dover Mills Limited Halifax had a good year with substantial increases in bakery and retail flour sales. Improved profits reflect higher millfeed prices.

Continued escalation of wheat transportation costs from Western Canada, particularly due to lack of Canadian Marine competition, had a serious effect on gross margins. Transportation costs along with increasing energy rates will be a major cost figure in 1981, and even with Nova Scotia's planned switch to coal for power production little relief is to be expected.

In summary, your Company continued to show satisfactory earnings for 1980, and although the economic outlook for Canada is questionable with higher inflation, we feel the market areas we service will show reasonable market growth in 1981. Your management continues to pursue new potential opportunities for increasing your company's investment in Canada.

### **Personnel**

R.J. Wasik, Phd., MBA, was appointed Director of Technology for the Company

Mr. James T. Yako was appointed Manager and Mrs. Donna Armaly, Assistant Manager of Dover Flour Mills Chatham, Ontario

Mr. F. Szenasi was appointed Assistant Treasurer of the Company

Mr. J. Doering was appointed Assistant Secretary of Dover Mills Limited

### **Annual Meeting**

The Annual Meeting will be held Tuesday, April 21, 1981 at Howell Packaging, 3230 Mainway Avenue, Burlington, Ontario. We look forward to seeing as many shareholders as possible at that time.

The Board of Directors wishes to express its sincere appreciation to the management and staff for their dedication and loyalty during the year.

Respectfully submitted on behalf of the Board of Directors.

*Nova Campbell*

President

March 20, 1981.



## Consolidated Balance Sheet

### ASSETS

#### Current assets:

Cash and short-term deposits	.....
Accounts receivable	.....
Inventories (Note 2)	.....
Prepaid expenses	.....

#### Fixed assets:

Land	.....
Buildings	.....
Machinery and equipment	.....

Less: Accumulated depreciation

Accounts receivable, secured by mortgages	.....
Excess of cost of investment in subsidiary over net assets acquired, less amortization	.....

### LIABILITIES

#### Current liabilities:

Bank indebtedness	.....
Accounts payable and accrued liabilities	.....
Income taxes payable	.....
Dividends payable	.....
Current portion of long-term debt	.....

Long-term debt (Note 3)	.....
Deferred income taxes	.....

#### Shareholders' equity:

Share capital (Note 5) —	.....
102,626 preferred shares	.....
856,920 common shares	.....

Retained earnings	.....
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APPROVED BY THE BOARD:

*Mona Campbell*  
*John R McPhee*

Director

Director

December 31

	1980	1979
\$ 247,500	\$ —	
6,021,498	5,114,234	
8,845,144	7,673,722	
183,784	225,176	
15,297,926	13,013,132	
614,081	181,432	
4,105,289	4,080,533	
10,829,288	10,335,701	
15,548,658	14,597,666	
8,412,594	7,740,134	
7,136,064	6,857,532	
135,000	185,000	
13,980	20,969	
\$22,582,970	\$20,076,633	
\$ 3,962,373	\$ 4,927,160	
3,620,948	1,947,813	
1,015,954	506,313	
15,392	15,392	
61,992	57,938	
8,676,659	7,454,616	
574,043	636,035	
1,475,000	1,475,000	
1,026,260	1,026,260	
71,750	71,750	
1,098,010	1,098,010	
10,759,258	9,412,972	
11,857,268	10,510,982	
\$22,582,970	\$20,076,633	



## Consolidated Statement of Income

	Year ended December 31	
	1980	1979
Sales .....	\$58,763,693	\$47,165,156
Cost of sales .....	50,794,203	39,828,553
Gross margin .....	7,969,490	7,336,603
Selling, general and administrative expenses .....	4,411,784	4,447,319
Income before taxes .....	3,557,706	2,889,284
Income taxes .....	1,550,000	1,116,000
Net income for the year .....	\$ 2,007,706	\$ 1,773,284
Net income per common share .....	\$ 2.27	\$ 2.00

## Consolidated Statement of Retained Earnings

	Year ended December 31	
	1980	1979
Retained earnings at beginning of year:		
As previously reported .....	\$ 9,255,940	\$ 8,222,103
Adjustment of prior years' net income (Note 6)	157,032	79,005
As restated .....	9,412,972	8,301,108
Net income for the year .....	2,007,706	1,773,284
	11,420,678	10,074,392
Dividends declared:		
Preferred — 60¢ per share	61,576	61,576
Common — 70¢ per share	599,844	599,844
	661,420	661,420
Retained earnings at end of year .....	\$10,759,258	\$ 9,412,972



## Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1980	1979
Financial resources were provided by:		
Net income for the year .....	\$2,007,706	\$1,773,284
Charges not requiring a current outlay —		
Depreciation .....	833,555	840,359
Deferred income taxes .....	—	275,000
Amortization of excess of cost of investment in subsidiary over net assets acquired .....	6,989	6,989
Provided by operations .....	2,848,250	2,895,632
Financial resources were required for:		
Additions to fixed assets, net .....	1,112,087	891,375
Dividends to shareholders .....	661,420	661,420
Reduction of long-term debt .....	61,992	57,938
Increase (decrease) in accounts receivable secured by mortgages .....	(50,000)	30,000
	1,785,499	1,640,733
Increase in working capital .....	1,062,751	1,254,899
Working capital at beginning of year .....	5,558,516	4,303,617
Working capital at end of year .....	\$6,621,267	\$5,558,516

## Auditors' Report to the Shareholders of Dover Industries Limited:

We have examined the consolidated balance sheet of Dover Industries Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Pricewaterhouse & Co.*

Chartered Accountants

Hamilton, Canada  
February 11, 1981



## Notes to Consolidated Financial Statements December 31, 1980

### 1. ACCOUNTING POLICIES:

A summary of the significant accounting policies followed by the Corporation is set forth below.

#### Consolidation of subsidiary —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary. All significant intercompany transactions have been eliminated.

#### Inventories —

Inventories are valued principally at the lower of average cost and net realizable value.

#### Fixed assets —

Land, buildings, machinery and equipment are carried at cost, less accumulated depreciation. Expenditures for plant and equipment renewals and improvements are capitalized. The cost of disposals and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Depreciation is computed on the straight-line method at rates estimated to amortize the cost of the assets over their estimated useful lives, principally as follows:

Buildings	2 1/2 - 10%
Machinery and equipment	10%
Automotive equipment	24%

Excess of cost of investment in subsidiary over net assets acquired—

The excess of purchase cost over net assets acquired is being amortized over three years to 1982.

#### Income taxes —

The Corporation follows the tax allocation basis of accounting for taxes on income whereby deferred income taxes are provided on all significant timing differences between accounting and taxable income, principally depreciation. Investment tax credits are accounted for on the flow-through method.

### 2. INVENTORIES:

Inventories consist of —

	1980	1979
Inventory of grains	\$3,573,836	\$2,676,008
Other raw materials	1,478,676	1,532,216
Work-in-process	637,993	952,793
Finished goods	3,154,639	2,512,705
	<u>\$8,845,144</u>	<u>\$7,673,722</u>

### 3. LONG-TERM DEBT:

Long-term debt consists of —

	1980	1979
7% first mortgage sinking fund bonds, Series B repayable in equal annual, instalments covering principal and interest and maturing on June 1, 1987	\$636,035	\$693,973
Less: Principal repayments due within one year	61,992	57,938
	<u>\$574,043</u>	<u>\$636,035</u>

Principal repayments of long-term debt for the next five years are as follows —

1981	\$61,993
1982	\$66,332
1983	\$70,976
1984	\$75,944
1985	\$81,260

Interest expense on long-term debt amounted to \$46,213 in 1980 and \$50,156 in 1979. In addition, other net interest expense amounted to \$653,037 in 1980 and \$612,990 in 1979.



# Dover Industries Limited

## Continued Notes to consolidated Financial Statements.

### 4. SEGMENTED INFORMATION:

The Corporation operates in two industry segments: Food products and Plastic and paper products. The operations and identifiable assets by industry segment are:

	December 31	
	1980	1979
Sales to customers outside the enterprise:		
Food products . . . . .	\$44,719,532	\$35,683,941
Plastic and paper products . . . . .	14,044,161	11,481,215
	<u>\$58,763,693</u>	<u>\$47,165,156</u>
Inter-segment sales:		
Plastic and paper products . . . . .	\$ 954,550	\$ 904,054
Segment operating profit:		
Food products . . . . .	\$ 2,995,969	\$ 2,742,741
Plastic and paper products . . . . .	1,263,438	791,728
	<u>4,259,407</u>	<u>3,534,469</u>
Interest expense . . . . .	(699,250)	(663,146)
Other income (expense)	(2,451)	17,961
Income taxes . . . . .	<u>(1,550,000)</u>	<u>(1,116,000)</u>
Net income . . . . .	<u>\$ 2,007,706</u>	<u>\$ 1,773,284</u>
Identifiable assets:		
Food products . . . . .	\$16,063,125	\$13,793,407
Plastic and paper products . . . . .	6,519,845	6,283,226
	<u>\$22,582,970</u>	<u>\$20,076,633</u>

### Capital expenditures:

Food products . . . . .	\$ 1,025,358	\$ 691,751
Plastic and paper products . . . . .	120,933	217,924
	<u>\$ 1,146,291</u>	<u>\$ 909,675</u>

### Depreciation:

Food products . . . . .	\$ 591,259	\$ 594,313
Plastic and paper products . . . . .	242,296	246,046
	<u>\$ 833,555</u>	<u>\$ 840,359</u>

Export sales for the year .	<u>\$ 8,614,000</u>	<u>\$ 7,380,000</u>
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### 5. SHARE CAPITAL:

During 1980, the Corporation received Articles of Continuance under the Canada Business Corporations Act. These Articles provide that the Corporation is authorized to issue 105,000 cumulative preferred shares and an unlimited number of common shares, both without nominal or par value.

### 6. PRIOR PERIOD ADJUSTMENT:

During 1980 claims by the Ontario Wheat Board and the Canadian National Railways relative to the years 1976-79 were settled in favour of the Corporation. Accordingly, provisions made in prior years were no longer required.

A provision of \$136,027, less related income taxes of \$58,000, has been credited to income in 1979 and the previously reported balances restated. The remaining \$136,005, less related income taxes of \$57,000, is applicable to years prior to December 31, 1978 and has been credited to retained earnings at that date.



## FINANCIAL SUMMARY 1976 TO 1980

	1980	1979	1978	1977	1976
Sales .....	\$58,763,693	\$47,165,156	\$39,955,913	\$37,097,127	\$36,042,559
Income before taxes .....	3,557,706	2,889,284	2,401,148	2,408,265	2,519,907
Income tax provision .....	1,550,000	1,116,000	856,000	894,000	1,063,000
Net income .....	2,007,706	1,773,284	1,545,148	1,514,265	1,456,907
Earnings retained in business .....	1,346,286	1,111,864	1,027,691	1,020,802	995,437
Cash flow .....	2,848,250	2,895,632	2,460,306	2,110,724	2,114,816
Current assets .....	15,297,926	13,013,132	11,494,060	9,969,859	9,024,652
Current liabilities .....	8,676,659	7,454,616	7,190,443	5,327,277	5,249,825
Working capital .....	6,621,267	5,558,516	4,303,617	4,642,582	3,774,827
Current ratio .....	1.8 to 1	1.7 to 1	1.6 to 1	1.9 to 1	1.7 to 1
Plant and equipment (net) .....	7,136,064	6,857,532	6,806,516	5,172,018	5,188,439
Shareholders' equity .....	11,857,268	10,510,982	9,399,118	8,371,433	7,350,625
Shares of preferred stock					
outstanding .....	102,626	102,626	102,626	102,626	102,626
Shares of common stock					
outstanding .....	856,920	856,920	856,920	856,920	856,920
Dividends per preferred share .....	.60	.60	.60	.60	.60
Dividends per common share .....	.70	.70	.532	.504	.467
Net income per common share .....	2.27	2.00	1.73	1.69	1.63
Cash flow per common share .....	3.25	3.31	2.79	2.39	2.40
Common Stock equity per share .....	12.64	11.07	9.77	8.57	7.38

Year 1976 adjusted for 3 for 1 stock split in 1977

The years 1976 to 1979 have been restated for the adjustments described in Note 6.

*This annual report  
was designed and developed by  
Howell Packaging Division*

